What's the Big Deal About ROI and TCO?

AS I SEE "IT"

By Don Hall

Don Hall is the executive director for information technology with the Kent School District, Kent, Washington. He has experience in teaching and administration and is a veteran presenter, author, and consultant. Hall serves as a volunteer columnist for L&L.

Everywhere I go today, I hear technology leaders talking about Return on Investment (ROI) and Total Cost of Ownership (TCO). They get so excited extrapolating complex formulas as documentation for their boards. I argue these metrics are merely indicators corporate CIOs use to rationalize the need for more money to grow their personal empires. Now public education has bought into this same madness.

I propose two new measures, ROA and TCI, unique to public education, that are more relevant and descriptive for defining value. Return on Achievement, or ROA, measures how the investment in technology moves the core mission of the district forward. Educators develop annual performance goals and academic achievement plans, often with minimal or no connection to their technology planning process. Even worse, IT's annual performance objectives are seldom defined in terms of increasing student achievement or instructional performance. So how can we expect to see a return on that measure without any alignment?

Speaking of costs leads us to TCI, or Total Costs to Instruction. Technology is one of the most expensive departments to operate and these costs continue to escalate while budgets shrink. Those dollars must come from somewhere—you guessed it, instruction. Maybe not directly, but every dollar spent on support services is not spent on instruction. That doesn't mean support services aren't vital to the success of the district;

however, we must be up front about the cost, or TCI.

If the technology program is properly aligned in its ROA, then the negative effects on teaching and learning are minimized and the program actually benefits from the investment. So it is important to know the TCI because we must justify the tradeoff between operational gains and the opportunity costs to instruction. It is difficult to analyze these costs if they are never even considered.

Quantitative junkies may smirk and think, "Yeah and how do you plug that into Excel?" My point is, you don't. The value is not in actually calculating anything. The real value lies in the realization and is derived in the reflection and discussion that occurs afterwards. The final value comes when it changes how you approach your IT strategy.

Now I am sure you are saying, "he has lost his mind," but before you begin composing those well worded, lengthy responses to the editor, hear me out. I, too, use ROI and TCO as valued tools in my IT management strategy. They are critical measures for helping any organization understand part of the value proposition delivered. Regardless, I challenge my colleagues to step out of the box and not merely rely on these traditional metrics. Add ROA and TCI to your tool kit, and then IT personnel can move beyond focusing on the nuts and bolts and become valued partners in the instructional mission.